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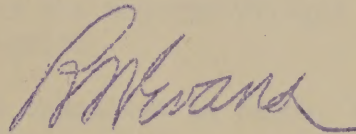
UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.

Reserve

FOREIGN FARM PROGRAMS AND
AMERICAN DEFENSE

To AAA Committeemen:

I recommend that each of you read carefully this statement prepared in cooperation with the Office of Foreign Agricultural Relations. It will give you information about foreign farm programs and your own farm program that you and your neighbors should have.



Administrator

Prepared by
The Division of Information
Agricultural Adjustment Administration

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FOREIGN FARM PROGRAMS AND AMERICAN DEFENSEHighlights

1. Nationalism has driven every country in the world to have a farm program.
2. Deficit agricultural countries have stepped up and subsidized farm production, erected trade barriers and cut down imports.
3. Surplus agricultural countries have farm programs to expand exports, protect prices.
4. In aggressor nations farm programs have been a part of their "total war" plans.
5. The American farm program is the result of the same world forces of nationalism which caused other countries to adopt farm programs.
6. The American farm program is different from most others because it is voluntary, is democratically controlled by farmers, provides a system of abundance through ever-normal granary, emphasizes conservation, makes provision for the underprivileged in agriculture, and increases domestic consumption.
7. The American farm program was conceived in peace, but is now a bulwark of our national defense.

FOREIGN FARM PROGRAMS AND AMERICAN DEFENSE

The war did not start merely with certain military movements in a particular part of Europe. It started years ago, with rigorous efforts made by nation after nation to meet a world crisis which they felt tightening around them. Their efforts to meet this crisis was not accompanied by bugle blare, machinegun rattle, or crash of bomb. But on the part of the aggressor nations it was warlike action, nevertheless.

It was based on a determination to import as little as possible from other lands, to erect tariff walls and other trade barriers, to arm to the teeth in a military way and every other way. It meant living unto themselves, self-centered and in fear. Aggressor nation or peaceful nation, all were driven by economic necessity into some form of national farm program.

Our own national farm program started about the time that Hitler and the Nazi party came into power in Germany. The same world-wide economic crisis which gave Hitler his chance to build up aggressive military power forced upon American farmers the necessity of building up their defensive economic power. During the same years that Hitler was reducing German agricultural life, and German economic life in general, to mechanized regimentation, American farmers were building up their structure of economic democracy. The American program is elastic, yet efficient, organized but not compulsory, broadly national yet allowing room for necessary local variation.

These two national farm programs developed along different lines, yet both of them were products of a world writhing in a post-war economy. For one thing, the threats of ruin our program was launched to defend us against were definitely brought on by the huge dislocations caused by the actual military struggle of a quarter-century ago.

Conflicting "Grand Strategies" on World Farm Front

The agricultural phase of this now world-wide economic war brought out with increasing clearness to all the two types of "grand strategy" being developed by nations finding themselves facing two different types of agricultural disaster. One type of grand strategy was developed by agricultural deficit countries, which had to import a large proportion of the farm commodities they consumed. The other type of grand strategy was developed by agricultural surplus countries, which faced farm unemployment and bankruptcy because they produced more farm commodities than they could possibly consume. They found their former export trade increasingly cut off as the panic-stricken deficit countries pursued more and more

their grand strategy of day by day, year by year, expanding their own production or allowing farm imports only from nations with which they could make advantageous barter. In short, the surplus nations feared ruin and the deficit nations feared blockade as well, and great were the struggles of each, driven by such fears.

All AAA committeemen know in which class the United States falls: agricultural surplus nation. They know that our grand strategy has been that of seeking to keep the great land and sea routes of agricultural trade open, so that our farm economy would not perish, smothered by its own surplus. Increasingly, too, AAA committeemen have known that they were playing a vital and adventurous role in the farm fight. They were holding the line for America. They were defending their country by building up and maintaining an armament of agriculture, an effective service of supply which would make their homeland not only able to feed and clothe itself and its friends, but able to sustain its farmers in the process so that they would not lose their footing nor their health nor their morale nor the hope in the hearts of their children.

The Log of the World Depression

Consider the unfoldment of foreign events as world depression spread after 1930.

Financial collapse in Central Europe began with the failure of the Credit-Anstalt of Vienna in the early summer of 1931, followed by the large-scale withdrawal of capital from Germany. In September, 1931, Great Britain suspended the gold standard. The Scandinavian countries followed suit as did Japan in December, 1931, so that within a very short time more than half the world had abandoned the gold standard. (The United States did so in March, 1933.) Financial default became the order of the day. By 1934, billions of dollars of United States private long-term loans to European and Latin American countries were in default.

Industrial production in most of the major manufacturing countries dropped to very low levels by mid-1932. The resultant heavy industrial unemployment caused a drastic decline in purchasing power. In Germany, for instance--for many years an important outlet for United States farm products--more than 6 million workers were unemployed in 1932. The widespread unemployment, collapse of commodity prices, and shrinkage in world trade was accompanied by the rise of totalitarianism in Germany and Japan, and the intensification of nationalism in all other countries.

Democracy Starts Farm Program as Dictator States Emerge

In the September 1930 elections, Hitler's Nazi party registered a tenfold increase. By the autumn of 1932, both the Nazi and Communist parties had made spectacular gains and both were sworn foes of the Weimar Republic. By June 1933, the Nazi dictatorship had made itself supreme in Germany. In the meantime, Japan had invaded Manchuria and organized it into a puppet state (February 1932) under Japanese domination. The American national farm program was launched, by the signing on May 12, 1933, of the Agricultural Adjustment Act.

Ten months after the signing of the Agricultural Adjustment Act Secretary Wallace in his statement "America Must Choose", brought out the relation between the national farm program in this country and the things that were going on in other countries. He said:

"We are approaching in the world today one of the most dramatic moments in history. Will we allow catastrophe to overtake us and, as a result, force us to retire to a more simple, peasant-like form of existence, or will we meet the challenge and expand our hearts, so that we are fitted to wield with safety the power which is ours almost for the asking? From the point of view of transportation and communication, the world is more nearly one world than ever before. From the point of view of tariff walls, nationalist strivings, and the like, the nations of the world are more separated today than ever before. Week by week tension is increasing to an unbelievable degree. Here resides both danger and opportunity."

Contrast Between Dictator and American Programs

But while Secretary Wallace thus voiced the realization of American farmers that our own national program was in its origins connected with the world economic dislocation, he made it plain that the spirit animating our program was one of international cooperation rather than of nationalistic aggression. He said:

"The religious keynote, the economic keynote, the scientific keynote of the new age must be the overwhelming realization that mankind now has such mental and spiritual powers and such control over nature that the doctrine of the struggle for existence is definitely outmoded and replaced by the higher law of cooperation.... This cooperation to which I refer depends for its strength on a revival of a deep recognition on the part of the individual that the world is in very truth one world, that human nature

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is such that all men can look on each other as brothers, that the potentialities of nature and science are so far-reaching as to remove many of the ancient limitations. This conception which now seems cloudy and vague to practical people must be more than the religious experience of the mystic. It must grow side by side with a new social discipline which leaves free the soul of man. Never has there been such a glorious chance to develop this feeling as in this country today."

But this was not the ultimate demand in Germany, either in its farm program, or in other matters. The result was that shortly after Hitler's advent to power, Germany was organized on a totalitarian and "war-economy" basis. Billions of dollars were spent on rearmament and militarization of the whole country. The slogan "cannon instead of butter," was coined by responsible members of the Reich government. Racial and religious persecution became widespread in the Third Reich. This was accompanied by propaganda of Germanic superiority and the alleged decay of democracy and liberalism. This was further translated into action by the forcible annexation of Austria and the Sudetenland, the invasion of Bohemia-Moravia, and finally the war against Poland which brought on the present European war.

Wars, and Warlike Farm Programs

In the meantime, Italy had invaded and annexed Ethiopia (1936) and Albania (April 1939), while Japan had made further military advances into large sections of Chinese territory. Soviet Russia, Germany, and Italy were involved in the Spanish civil war (July 1936-March 1939).

Adequate supplies of food in wartime are of first importance. This explains, in part, the movement toward autarky, and particularly, agricultural self-sufficiency in Germany and Italy in the last few years. Agriculture in these countries, and especially so in Germany, has been strictly regimented. Emphasis has been put on expanding the production of foodstuffs wherever possible. Marketing, prices, imports, and exports of agricultural products have been strictly controlled under this totalitarian set-up, which obtains likewise in Soviet Russia.

These measures, which when stated soundly, have little life or color in them, were in the actual carrying out full of brain struggle, anguish, yes, and even violent death. In Germany, as part of the intense nationalistic drive for self-sufficiency, there developed a stern doctrine of the farmer being so closely tied to his land that it was as though he were a vegetable grown from the soil subject to a national unity. In Italy, the draining of marshes and the making of new land where precious wheat and other foodstuffs could grow, was achieved with a warlike martial fervor which dramatized the national farm program of

the modern dictatorship. It recalled memories of the stormy dream-background of the ancient world, as though the farm people were marching in old Caesar's very legions. In Russia, there was the equivalent of conscription on the farm program front. Peasants were driven into exile, into forced labor, or were starved for failing enthusiastically to accept or work the huge collective farms. Compared with all this relentless regimentation in a period of so-called "peace," our own national farm program, despite its difficulties, has been an orderly and comfortable affair from the start.

Trade Barriers Erected in Economic War

International economic relations throughout the period of world economic depression have been marked by the growth and intensification of trade barriers. The year 1930 witnessed an almost universal increase in tariff duties on imported commodities, particularly agricultural products. These were lifted to unprecedented levels in several European countries. (In the United States, the Smoot-Hawley Tariff Act became effective on June 17, 1930.) Apparently the greatly increased tariff rates did not restrict imports as much as the various European countries desired, because in 1931 and thereafter import quotas, import licenses, foreign-exchange allocations and other devices were adopted in order effectively to throttle imports.

Among these various devices, the import quota or licensing system was the most effective method of reducing or restricting imports. Total imports of a particular commodity during a given period were strictly confined to a specified quantity, regardless of price, rate of duty, or other factors. Foreign-exchange control, that is, limiting the total amount the nation could spend for imported products, proved to be the next most effective way of limiting exports. Often, both methods were used.

Trade Agreements Our Defense

The total effect of these various trade barriers on foreign takings of United States farm products has been very unfavorable. The effect has been reduced because the United States has broken through some of these trade barriers with our reciprocal trade agreement program. This was begun in 1934 and has been extended to 21 countries. Under this program, we have reduced our tariff rates where such reductions were warranted in exchange for reductions in foreign import duties on United States commodities, especially agricultural products.

Farm Programs Organized All Over the World

The collapse of farm prices in 1929 and during the ensuing world economic depression, brought great distress to agriculture. Many kinds of attempts were made to relieve this distress.

The attempt was made in many countries to lessen the farmer's interest burden through reducing the amount of total farm indebtedness and through reductions in the rate of interest.

Commodity price control or price-bolstering measures have been the most common feature of farm programs in the various foreign countries. This has been in addition to tariff increases, import quotas, and foreign-exchange control which have applied to industrial products as well. Two broad classes of price control may be traced. Most of the price control schemes fall within these classes: (1) fixed prices, which may be mandatory for all transactions, or minimum prices, and (2) guaranteed prices.

Prices Fixed in Many Countries

Fixed prices are generally used in totalitarian countries such as Germany, the Soviet Union, and Italy. There it extends not only to agricultural prices but to the whole national price structure. It forms a part of a state-regimented economic system. In other countries, as a rule, fixed prices take the form either of minimum prices below which farmers may not sell their products, or of maximum prices. Examples are the French minimum wheat price established in 1933, maximum retail prices for milk in the United Kingdom, and guaranteed prices for wheat and hops in the United Kingdom. Other important examples are minimum prices for wheat in Canada; for wheat, flaxseed, and corn in Argentina; and guaranteed prices for dairy products in New Zealand.

Governmental aid to agriculture abroad has in most instances been applied on a commodity basis. This has been done, more often than not, through the establishment of marketing control agencies. Restriction of production, however, to strengthen price control and price-supporting measures, has not been prominent in foreign countries, with the notable exception of animal products in the Netherlands and Denmark.

Rigid Farm Programs in Deficit Countries

The United Kingdom, Germany, France, Italy, and Japan are the leading deficit countries. They normally import a large or substantial share of their total foodstuffs or agricultural raw material requirements or both. The main emphasis in agricultural policy in these countries has been the protection of their farmers from foreign competition, and on the

achievement of agricultural self-sufficiency, particularly in Germany and Italy. Since the outbreak of the present war, the United Kingdom has adopted an emergency program of enlarged farm output.

High protective tariffs, import quotas, and price-fixing for home-produced commodities at levels well above world market prices have been outstanding features of government aid to agriculture in most of the deficit countries. It is far easier to maintain at a high level the domestic price of a product for which there is a national shortage than to maintain prices in a surplus-producing country where the excess production is disposed of at world-market prices.

Britain Subsidizes Farmers

In the United Kingdom, for instance, domestic wheat production covers only about one-fourth of that country's total wheat requirements, and domestic growers were receiving an average total return of about \$1.25 per bushel up to the outbreak of the present war. Since then the total return (in sterling) has been further increased. The market price has been increased by subsidy payments to wheat growers which were financed until recently by an excise tax on all flour consumed in the United Kingdom. Farmer-elected marketing (or control) boards for the establishment of marketing schemes are an important feature of the United Kingdom's farm program. British marketing schemes apply to fluid milk, hogs for processing into cured pork, hops, and potatoes, while benefit (subsidy) payments have been made in the past to producers of oats, barley, and sugar beets, and fat cattle. The war has made many changes in the British farm program, however.

Germany Regiments Her Farmers

As before indicated, Germany is the outstanding example of a totalitarian deficit country. In that country the farmer is strictly regimented in virtually everything he does. For instance, German farmers can market their livestock only under the Government's express permission. The Government specifies the particular market to which the stock must be delivered at the price fixed by the Government according to the grade or quality of the product, time of year, location of market, and other specified factors. Basic quotas for bread grains (rye and wheat) for annual delivery are assigned some two million German farmers.

In other words, German agriculture is organized on a corporative (totalitarian) basis, with price fixing or price control of practically all farm products all along the line from primary producer to the consumer. Infractions of this price control system are punishable by fines up to 100,000 Reichsmarks (\$40,000) and/or imprisonment. Certain features of the German farm control program or variations thereof, are to be found in Italy and Soviet Russia.

Surplus Countries Hold Back Prices, Seek Export Outlets

Among the leading surplus-producing foreign countries are Canada, Australia, Argentina, Brazil, the Netherlands, Denmark, and Hungary. The Soviet Union also exports agricultural products, though on a much smaller scale than before the first World War. In the surplus countries, the central objectives of national agricultural policy carried out by the respective farm programs have been directed toward (1) finding foreign outlets for the various products grown in excess of domestic requirements, and (2) maintenance of prices for that part of domestic production consumed at home at levels well above those prevailing on world markets.

This has often involved some type of export bounty or subsidy. This is particularly true for Australia, New Zealand and the Union of South Africa where export bounties or subsidies, direct or indirect, have applied at various times to several agricultural commodities, such as dairy products in the case of Australia and New Zealand.

Minimum-price-guaranty schemes for wheat have been notable in Canada and Argentina through the operation of grain purchase and marketing boards. Price control schemes, coupled with production control, have obtained in Denmark and the Netherlands for hogs and pork products. In general, it may be said that marketing agreements, some form of benefit payments to farmers, price fixing or price control, pooling operations, and more liberal credit facilities have to varying degrees featured agricultural policy in most of the surplus-producing countries.

Trade agreements with other foreign countries have been used by many of these surplus-producing countries to promote farm exports. This has taken the form of procuring tariff reductions, or enlarged shares of import quotas, or more favorable foreign-exchange allocations, or other trade concessions.

Money Devalued As Aid to Farmers

A universal feature of farm aid in the surplus-producing countries during the past decade appears to have been currency depreciation. All agricultural exporting countries have depreciated their currencies since the beginning of the world economic depression. Such action, in several cases, has contributed toward the maintenance of farm prices at higher levels in terms of national currencies.

U. S. Farm Exports to Europe Decline

These foreign farm programs, as already indicated, are the expression of the prevalent, economic nationalism. Their total effect on United States farmers during the last ten years has been a heavy

reduction in the total value and volume of American farm exports, particularly to Europe which has in the past taken as much as two-thirds of all our farm exports. Our American business and foreign trade methods are not well adapted to trade in a trade barrier world.

Other factors, however, contributed to the loss of export markets. Among these are the widespread industrial depression and financial collapse already mentioned, and all kinds of trade barriers, including our own tariff wall. Moreover, the severe droughts of 1934 and 1936 by causing reduced supplies and high prices for certain products such as pork and grain, reduced our ability to export those products during 1935-1937.

The expansion of production abroad, particularly in the surplus-producing countries, in the face of contracting world markets, has been an important factor in reducing American exports of cotton, wheat and wheat flour, pork products, certain types of leaf tobacco, and a few other farm products. In some cases, foreign countries have subsidized exports or set up preferential tariffs or used other forms of direct or indirect discrimination which have reduced our share of the export market for a given product. Our own wheat export subsidy program, which definitely increased our exports and prices, was necessitated by these foreign discriminations. Furthermore, without the influence of the American reciprocal trade agreement program, the adverse effect of all these factors on our agricultural exports would have been still greater.

Foreign Farm Programs Hit United States Farmer

Europe has always absorbed the bulk of American farm exports, although Japan in the 1930's became a principal market for our cotton and China an important outlet for our flue-cured tobacco (although in decreasing quantities in recent years). Consequently, the impact of foreign farm programs, together with the general governmental policies of foreign countries, on American agriculture may be characterized by summarizing their influence in Europe, namely, (1) an increase in European agricultural production, (2) a reduction in European imports of agricultural products, and (3) a decrease in our former share of Europe's total agricultural imports.

American Farm Program Differs from Others

The American farm program has been built in part in response to these foreign farm programs and to the forces of nationalism behind them. The American program has some features similar to the programs in other countries, as for instance the support given prices, the benefit payments and the export subsidies. But the United States program is unlike others in its emphasis on conservation, in its overwhelming tendency for providing abundance at all times, in its assistance to the

under-privileged in agriculture, and in its efforts to increase domestic consumption through the stamp plan and through research for new uses for farm products. The American program, too, differs from the others in that it adjusts acreage roughly in line with available markets and in line with sound conservation farming. This is in keeping with the pattern set by American business which always produces with an eye out for what can be sold profitably. Perhaps most important, the American program is voluntary in contrast with the compulsory programs of many of the other countries. The American program is in the hands of farmers as befits a great democracy.

National Farm Program Follows Six Lines

Briefly stated, the United States farm program has been developed along the following six main lines, some of the agencies carrying out various aspects of the program being indicated by initials or name:

1. Conservation, including acreage adjustment from soil-depleting to soil-conserving crops and in line with available markets. (AAA, SCS)
2. Price and income support, through commodity loans, ever-normal granary, crop insurance, and benefit payments. (AAA, CCC, FCIC)
3. Rehabilitation of the under-privileged in agriculture, through rehabilitation, migrant labor, and tenancy programs. (FSA)
4. Broadening farm markets through export subsidies and trade agreements, and at home through surplus removal, marketing agreement, food and cotton stamp programs, and research for new uses for farm products. (FSCC, Division of Marketing and Marketing Agreements, Bureau of Chemistry and Soils)
5. Extending the benefits of electricity to farm homes (REA, TVA).
6. Adjusting farm credit to the business needs of farmers. (FCA, FSA)

Supporting these programs is the older and ever-important work of research into and promotion of more efficient methods of farming, ranching and forestry, the market regulatory work, and the newer work of marginal land retirement, land use studies and program planning.

War Increases Need for American Farm Program

Looking ahead, it seems safe to assume that all these efforts will continue. Conservation is fundamental to national well being. Further adjustments in farming are inevitable. For both conservation and adjustment the farmer must be financed until parity with other groups has been reached. It is a question how much of the foreign market can be regained in the long future. In the immediate future it seems certain that farm exports will decline still more, and for many of them such as cotton, wheat, pork and tobacco that 1940 exports may be little more than half of what they were in 1939.

While the present war has not helped the American farmer, nor is likely to help him, the national farm program has kept the farmer from feeling the full force of the shock. Without the AAA program many farmers would now be experiencing ruinous times. When the war ends the dislocations are likely to be more severe than those following World War I. The Triple-A program will be needed then more than ever.

Farmer Can Face the Future with Confidence

In the meantime the problems of population pressure on the land are being felt more and more keenly. Improvements in efficiency and the rapid spread of mechanized farming confront the country with new problems. Agriculture has a growing problem of unemployment. The problem of the tenant, the share cropper and the agricultural laborer will become greater rather than smaller.

But just as programs have been built to meet the problems of soil decline, of unsalable surpluses, of low income and many others, so programs can and will be built to meet the newer problems that are looming up. This will be less difficult now than ever before, because the foundations are laid on which farmers can build. Farmers are now accustomed to working together and with their Government to control their own business in the National interest and to meet new situations as they arise. Whatever the future holds, the farmer has the means for meeting it, for the American farm program is the broadest and most flexible of any on earth, and it is in the farmers' own hands.

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